

FLYER

051-59
November 7, 1997

TO: Chief, HRMS

SUBJ: Retirement System Information

This flyer transmits Benefits Administration Letters (BAL) Number 97-110, 111, and 112. BAL 97-110 asks agencies to verify retirement system coverage and reminds agencies to accurately complete all portions of service credit application forms. BAL 97-111, provides information about State tax and Savings Bond deductions from retirement annuity payments. BAL 97-112, discusses the line-item veto of the FERS Open Enrollment Period.

Questions about this flyer should be directed to your geographic area contact within the Customer Advisory and Consulting Group.

Customer Advisory and Consulting Group (051)
Office of Human Resources Management
VA Headquarters - Washington, DC



United States
Office of Personnel Management
Retirement and Insurance Service

Benefits Administration Letter

Number: 97-110

Date: October 9, 1997

Subject: SF 2803, Application to Make Deposit or Redeposit (CSRS), and
SF 3108, Application to Make Service Credit Payment for Civilian
Service (FERS)

Purpose:

The purpose of this letter is to ask agencies to verify that the employee is placed under the correct retirement system and to remind agencies to complete ALL portions of the forms accurately.

Background:

We are seeing an increase in the number of applications to make service credit payments for employees who are not under the correct retirement system. Chapter 10 of the *CSRS and FERS Handbook for Personnel and Payroll Offices* gives detailed information about how to determine whether an employee should be covered by the Federal Employees Retirement System (FERS), Civil Service Retirement System (CSRS), or CSRS Offset.

When an agency erroneously certifies that a FERS employee is covered by CSRS, the billing the employee receives is often far more than the employee actually owes. This can cause financial hardship for the employee. When the error is discovered, we can only return the excess the employee has paid. There is no provision in the law for us to pay interest to the employee even though the Government was wrong.

Agency Role:

Agency personnel should pay particular attention to the following specific items before submitting an SF 2803/3108 to the Office of Personnel Management:

1. Complete the entire reverse side of the application.
2. Provide the tour of duty for all part-time service.

*Civil Service
Employees
Retirement
System*

*Federal Employees
Group Life
Insurance*

*Federal Employees
Health Benefits
Program*

*Federal
Retirement
System*

3. Provide the actual number of days worked for When Actually Employed (WAE) service.
4. List the service history for all temporary periods of employment in the space provided on the reverse side of the application. (Standard Form 50's should only be sent when specifically requested by the Office of Personnel Management.)
5. Be sure that FERS employees know that temporary employment subject to the Federal Insurance Contributions Act (FICA service) which was performed after 1/1/89 is generally not creditable under FERS. (Exceptions include Senate Employee Child Care Center service, Peace Corps/ Volunteers in Service to America (VISTA), and service creditable under the Foreign Service Pension System.)
6. Under Section B question #3b, of the FERS application, SF 3108, we also need the date that CSRS deductions began for any covered employment prior to the FERS election.

Maximize Service to Recipients:

The goal of the Office of Personnel Management is to provide accurate and timely service to all customers. Achievement of this goal in processing these applications depends on the quality of the information we receive from the agencies. Thank you for your assistance.



Sidney M. Conley
Assistant Director
for Retirement Programs



United States
Office of Personnel Management
Retirement and Insurance Service

Benefits Administration Letter

Number: 97-111

Date: October 15, 1997

SUBJECT:

**State Tax and Savings Bond Deductions
from Annuity Payments under the Civil
Service and Federal Employees Retirement
Systems**

This Benefits Administration Letter (BAL) announces improvements in the allotment program and State tax withholding capabilities for annuitants who receive benefits under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Under the expanded program, CSRS and FERS annuitants may contact the U.S. Office of Personnel Management (OPM) directly to request State income tax withholdings from their regular annuity payments instead of contacting their State revenue agency. They can also purchase Series EE U.S. Savings Bonds through annuity deductions.

The attachment is an updated version of Employee Information Sheet #7 from Chapter 40, "Planning and Applying for Retirement," of the CSRS and FERS Handbook. The fact sheet may be reproduced locally.

Sidney M. Conley
Assistant Director
for Retirement Programs

Attachment

<i>Civil Service Employees Retirement System</i>	<i>Federal Employees Group Life Insurance</i>	<i>Federal Employees Health Benefits Program</i>	<i>Federal Retirement System</i>
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Employee Information Sheet #7**Information about Federal and State Income Tax Withholdings,
Savings Bond Purchases and Deductions**

This sheet provides you with information on how to change the withholding rate for Federal income taxes from your annuity. It also tells you how to elect to have State income taxes withheld and/or start an allotment for Series EE U.S. Savings Bonds from your annuity. Because of technological limitations and the fact that your income is probably substantially changed in retirement, it is neither feasible nor desirable that your tax withholdings remain the same as when you were employed.

Federal Income Tax Withholdings:

Your annuity payments are subject to Federal income tax withholding. Federal income tax is withheld from your initial payment and will continue to be withheld as though you are a married individual claiming three withholding allowances – the rate required by law if you do not file an election to change the deduction. At the time the Office of Personnel Management (OPM) processes your retirement application, they will send you instructions on how to start, change, or stop your Federal income tax withholding using their toll-free, automated telephone system.

State Income Tax Withholdings:

If you wish to have State tax withholdings from your annuity, you may contact OPM directly if your State participates in the withholding program administered by OPM. OPM is unable to make State tax withholdings for non-participating states.

Participating jurisdictions are: Arkansas, Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Georgia, Idaho, Indiana, Iowa, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Utah, Vermont, Virginia, West Virginia, and Wisconsin.

You must specify the monthly amount of State tax you want withheld. Deduction amounts must be in whole dollars. The minimum monthly amount OPM is able to withhold is \$5. Your State tax deductions will be reflected on notices of annuity adjustment mailed when payments change and will be included in your yearly statement (Form 1099R) used for income tax filing purposes.

Savings Bond Purchases and Deductions:

The savings bond allotment program offers you the opportunity to purchase Series EE U.S. Savings Bonds in a manner similar to the payroll saving plan available to employees.

Savings bonds, in the amounts of \$100, \$200, and \$500, can be purchased through monthly annuity deductions. The purchase price is one-half of the face value of the bond, in full, each month. For example, the cost of a \$100 bond is \$50. No partial or installment payments will be accepted for bond purchases. Bonds may be purchased in the name of a single owner, with a co-owner, or to become payable to a beneficiary in the event of death. No more than two names may appear on a bond. You can name someone else as bond owner. Only one co-owner or one beneficiary may be named in addition to the bond owner.

For information about savings bond interest rates and redemption, you may contact the U.S. Department of the Treasury at the following address:

U.S. Savings Bonds
Bureau of Public Debt
Parkersburg, West Virginia 26106-1328

You can obtain information about savings bond interest rates by calling the Department of the Treasury at (800) 4US-BOND.

Requests for Savings Bond and State Tax Deductions

You will be notified when your payments are authorized about how you may begin to have these deductions taken from your regular annuity payments. State tax and savings bond deductions cannot be taken from interim payments. If you already receive regular annuity payments you may call (800) 409-6528 to start, change, or stop savings bond and State tax deductions. A touchtone telephone is needed to access this system. If you do not have a touchtone telephone, you may contact an OPM Customer Service Specialist by dialing (888) 767-6738. When calling, you will need your "CSA" or "CSF" claim identification number and Social Security Number.



United States
Office of Personnel Management
Retirement and Insurance Service

Benefits Administration Letter

Number: 97-112

Date: October 20, 1997

SUBJECT: Line-Item Veto of FERS Open Enrollment Period

On October 3, 1997, we issued Benefits Administration Letter 97-108, advising benefits officers that Congress had passed the Federal Employees' Retirement System Open Enrollment Act of 1997, section 642 of H.R. 2378. Section 642 would have given employees covered by the Civil Service Retirement System a new opportunity to move into the Federal Employees Retirement System.

On October 16, the President exercised his authority under the Line Item Veto Act to cancel section 642. The President issued the following statement --

"This line-item veto will save \$854 million over five years by preventing a hastily-conceived, undebated provision from becoming law. In addition, my action will keep agencies from having to reallocate another \$1.3 billion in limited discretionary resources to pay higher retirement benefits, rather than spend it on other priorities, such as pay increases, or essential agency needs.

I did not propose this provision in my 1998 budget, it was not the subject of public hearings, and it was not considered by either the House or the Senate. Instead, it was added at the end of the legislative process, in a House-Senate conference committee. I believe that by canceling this provision, I am using my line-item veto authority in an appropriate manner.

I am committed to ensuring that the Federal Government can recruit and retain the quality individuals we need to administer Federal programs. I will work with Congress to ensure that our Federal civil servants are compensated fairly for the essential work they do for the American people."

Please contact your liaison in the Agency Services Division if you have any questions.

John E. Landers, Chief

Civil Service
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Group Life
Insurance

Federal Employees
Health Benefits
Program

Federal Employees
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